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United States Department of Agriculture
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DEMAND and PRICE SITUATION

WASHINGTON, D. C., SEPT. 1954



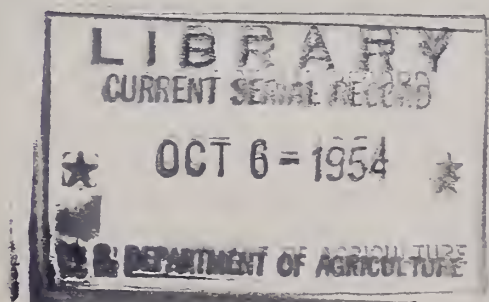
Approved by the Outlook and Situation Board, September 20, 1954

SUMMARY

General business activity has held relatively steady in recent months. Incomes after taxes are near the record levels of the first half of this year. Consumer buying also is around record levels. Industrial production, stable in the June-August period, was 9 per cent below the same months of 1953. Employment in nonagricultural industries was off 1 1/2 percent and unemployment increased from 1.4 million to 3.3 million workers. These declines were due largely to reduced Government spending and a cutback in business inventories.

With sustained buying and reduced output in recent months, inventories have been worked off at a fairly rapid clip. If consumer and investment demand hold up as well in coming months as expected, production may pick up more than seasonally later this year.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1953		1954			
		Year	Aug.	May	June	July	Aug.
Industrial production <u>1/</u>							
Total.....	1947-49=100	134	136	124	124	124	124
All manufactures.....	do.	136	138	126	125	125	125
Durable goods.....	do.	153	157	135	134	134	135
Nondurable goods.....	do.	118	119	116	115	115	116
Minerals.....	do.	116	119	111	114	113	111
Total outlay for new construc- tion <u>2/</u>	Million dollars	35,256	2,883	3,066	3,070	3,084	3,112
Residential.....	do.	11,930	1,005	1,081	1,085	1,128	1,151
Total civilian employment <u>3/</u>	Million	61.9	63.4	61.1	62.1	62.1	62.3
Nonagricultural.....	do.	55.4	55.9	54.3	54.5	54.7	55.3
Unemployment.....	do.	1.5	1.2	3.3	3.3	3.3	3.2
Income:							
Nonagricultural payments <u>2/4/</u> #	Bil. dol.	270.0	272.6	269.7	270.3	270.5	
Production-worker payrolls <u>5/</u> ..	1947-49=100	151.6	154.0	134.4	136.7	132.5	135.4
Weekly earnings of production- workers in manufacturing <u>5/</u>	Dollars	71.69	71.69	70.74	71.68	70.92	71.06
Durable.....	do.	77.23	77.27	76.21	76.40	75.83	76.59
Nondurable.....	do.	63.60	63.76	63.91	64.74	64.74	64.29
Prices:							
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	110	110.6	110.9	110.0	110.4	110.5
Commodities other than farm and food.....	do.	114	114.9	114.5	114.2	114.3	114.4
Farm.....	do.	97	96.4	97.9	94.8	96.2	95.7
Food, processed.....	do.	105	104.8	106.8	105.0	106.5	106.3
Prices received by farmers <u>6/</u> ..	1910-14=100	258	255	258	248	247	251
Crops.....	do.	242	232	249	244	248	250
Livestock and products.....	do.	273	276	267	251	247	251
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	279	279	284	282	280	282
Items used in living.....	do.	270	273	276	276	277	277
Items used in production.....	do.	253	248	256	252	247	250
Parity ratio.....		92	91	91	88	88	89
Consumer price index <u>5/</u>	1947-49=100	114	115	115	115	115	
Food.....	do.	113	114	113	114	115	
Government purchases of goods and services <u>2/ 7/</u>	Billion dollars	85.2	86.6		78.3		
Federal (Less Government sales)	do.	60.1	62.2		51.3		
State and local.....	do.	25.1	24.4		27.0		

Annual data for the years 1929, 1932 and 1935-53 appear on page 31 of the April 1954 issue of the Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Sales by food stores in the first 8 months of this year totaled slightly above a year earlier. Consumer income after taxes holds near record levels and consumers continue to spend about a fourth of their income for food. Foreign takings of farm products picked up in recent months and for the 1953-54 fiscal year totaled 4 percent above a year earlier. Larger exports of cotton and tobacco more than offset the decline in exports of wheat and flour.

Supplies of farm products in general continue large and average prices to growers are running a little below a year ago. Prices paid by farmers and their production expenses have been at about the same level as in 1953. With cash receipts lower, farmers' realized net income in the first half of this year was down about 6 percent from a year earlier.

Production prospects point to a total farm output this year about 2 percent below 1953. Production of livestock and livestock products is expected to total about 4 percent above a year ago but crop output may total 5 percent lower. Continuing abnormally hot, dry weather in all areas of the cotton belt, except the Far West, cut cotton crop prospects about 7 percent during August. Growing conditions deteriorated further for spring wheat, flaxseed, peanuts, and sweetpotatoes. Improved yield prospects since August 1 raised production estimates significantly for corn, soybeans, rice, all hay, tobacco, sorghum grain, and sugar beets. The net result was a slight increase in all-crop production prospects from August.

In order to offset effects of the drought and insure maximum benefits from Government programs, the Department of Agriculture recently announced the elimination of the "total acreage allotment" provision of the program to influence the use of acres diverted from allotment crops in 1955. Farmers who comply with their individual crop allotments (there are allotments now on wheat, corn, cotton, peanuts, and major types of tobacco) will be free to plant the rest of their land as they wish without loss of price support eligibility, except that the harvested acreage of commercial vegetables, potatoes, sweetpotatoes and dry edible beans must not exceed the acreage planted for harvest on the farm in 1952 and 1953. The greater output permitted by these changes should help to maintain farm incomes in the coming year.

Commodity Highlights

Prices of hogs will tend to be somewhat lower seasonally until about late October. They will be below last year but generally at or above a normal relation to the price of corn. Prices of grass cattle also are expected to decline seasonally, but will likely continue as high as or higher than last year because of a generally strong demand for feeder cattle. Prices for fed cattle may remain comparatively stable. Output of milk in August was slightly under that of a year earlier, the first time in 24 months. CCC purchases of butter and cheese since mid-July have been about half those of a year earlier. Purchases of nonfat dry milk totaled nearly as much as last year. Large production of eggs for this time of year and seasonally increasing supplies of poultry meat are holding down prices for these commodities. Commercial supplies of edible vegetable oils in recent months were "tight", and users purchased 45 million pounds of cottonseed oil from the Government during July 1 through September 15. Supplies of food fats in the marketing year beginning October 1, 1954 are likely to be at least as large as this year's record level. Cash corn prices continued to advance during August and early September, and prices of other feed grains strengthened from low points reached in July. Cash wheat prices have advanced gradually and currently are near the highest levels of the season to date. The level of prices for deciduous fruits this fall probably will be about the same as a year earlier. Prices for California Valencia oranges and grapefruit are expected to continue higher during late September and October than a year earlier. Supplies of fresh vegetables for marketing during early fall are likely to be 9 percent smaller than a year previously and grower prices probably will continue higher than last fall. Prospective tonnage of 9 important vegetables for commercial processing was estimated as of September 1 to be about 13 percent smaller than that of 1953. The crop of potatoes from the late States is estimated to be 5 percent smaller than the 1953 crop. Prices may decline with increased marketings this fall, but they are expected to continue above comparable prices in 1953. The 1954 crops of both dry edible beans and peas are larger than in 1953, and prices are expected to continue under those of 1953-54. A 1954 cotton crop of 11.7 million running bales was forecast, down 28 percent from the 1953 crop. Wool prices in Australia in the first half of September were down substantially from prices which prevailed at the close of auctions last June and from a year earlier. Auction prices for flue-cured tobacco through September 17 averaged lower in all belts except the Middle and Old belts of North Carolina and Virginia, where drought was a serious factor last year.

GENERAL BUSINESS CONDITIONS

General business activity in August after seasonal adjustment continued near the July level. Personal incomes after taxes continue near record levels, and construction outlays are at a new high. Total employment in early August held at about the July level, and unemployment was reduced slightly. Automobile sales were reduced further, but sales by most other retailers continued strong. Production of automobiles and petroleum refining lagged further during the month, but industrial pro-

duction held steady as output of machinery, textiles and apparel rose. With a well maintained consumer demand and reduced output, inventories are still being worked down at a fairly rapid rate. Average prices of industrial products held steady during August and early September.

Consumer Income and Spending At High Level

Personal incomes in July were unchanged from the annual rate of June after adjustment for seasonal variations. Manufacturing payrolls were down about 1 percent, with most of the loss attributable to industrial disputes in the lumber and rubber industries and to lower automotive employment. However, there was an offsetting rise in nonmanufacturing payrolls, reflecting slightly higher employment in construction and trade. The other major income components--business and property income and transfer payments--showed only minor changes from June to July. In August the factors affecting income were about the same as in July. Employment in textiles and apparel manufacturing rose more than seasonally while activity in construction and trade continued high.

For the January-July period of 1954, personal income was at an annual rate of 285½ billion dollars, the same as in that period of 1953. Incomes to consumers after taxes have been at record levels so far this year.

Consumer Spending Reflects Record Incomes

Personal consumption expenditures, reflecting record incomes, were at an all-time high in the first 6 months of this year. Most of the increase was in spending for services, but there was a gain in outlays for goods in the second quarter. Retail sales in July and August for most major groups-- except automobile dealers--continued near the level of June, highest month so far this year. Sales of automobiles in July and August receded sharply from the high June rate. Department store sales in August and early September were the same as the improved rate in June and July, indicating that consumer buying is continuing high.

Total consumer credit outstanding at the end of July was a little higher than a month earlier, as an increase of 123 million dollars in automobile paper more than offset a decrease in noninstallment credit. Consumer installment credit extended in July, after adjustment for seasonal variations, was down slightly from June. A decrease in automobile paper was only partly offset by an increase in credit granted for other consumer goods. However, new credit extended exceeded repayments in both June and July for the first time this year.

Investment Demand

Private investment in the first 6 months of 1954 was 16 percent below the same months of 1953. However, spending for fixed investment was down only 2 percent as a decline of 7 percent in outlays for producers'

durable equipment was partly offset by a 4 percent increase in construction. Most of the decline was in inventories which were liquidated at an annual rate of 4 billion dollars in the first half of this year, compared with an accumulation at the same rate in January-June of last year.

Construction expenditures rose to new highs in both July and August. Much of the increase resulted from expansion in residential building; outlays also increased for public utilities, highways, and other building activities associated with suburban development. New private housing starts in August were up a little from July but they were down 6 percent from the relatively large number for June. Except for June, they totaled higher than for any other month since September 1950. More favorable financing terms were an important factor in the strength in residential housing. New construction contract awards, down from the July total, are running well above a year ago, reflecting increases in residential construction contracts. The high rate of new starts and contract awards points to continued strength in construction activity in the months ahead.

Business Investment to
Shade Off More

Expenditures for new plant and equipment by business enterprises in the third quarter are expected to total 2 percent less than in the second, according to a joint survey conducted in August by the Securities and Exchange Commission and the Department of Commerce. Investment by railroads is scheduled 13 percent lower, and small percentage declines are indicated for most other major industry groups. An increase of 2 percent appears likely for transportation industries other than railroads. Total business investment is expected to decrease another 3 percent in the October-December period, and for 1954 as a whole business plant and equipment expenditures are indicated at 6 percent below 1953.

Inventory liquidation in July exceeded the monthly average for the first half of the year. The book value of inventories held by manufacturers declined 320 million dollars during the month, a little more than in June. The decrease was centered in durables with liquidation in each industry group except primary metals, furniture, and instruments. Primary iron and steel producers reported an increase in inventories. Most of the reduction in July in total manufacturers' stocks was in finished goods, to the lowest point since last October. Retail stocks at the end of July were nearly 200 million dollars lower than at the end of June. Here also the decline was concentrated in durables. Inventories held by automotive dealers were down about 90 million dollars and stocks of appliances also were reduced. At both manufacturing and retail establishments inventories of nondurables remained at the June level, with minor movements offsetting each other.

Government Spending Lower

Government purchases of goods and services declined rather sharply in the first half of this year. Spending in the second quarter was at an annual rate of 78.3 billion dollars, down 9 percent from October-December 1953 and a tenth below April-June last year. Outlays were cut back for both national security and other Federal Government purposes. However, expenditures by state and local Governments continued their upward trend. In the first 6 months of 1954 they were 9 percent higher than in the same months of 1953.

National security expenditures apparently were down a little further in July and August. Expenditures for farm price supports, after accounting for seasonal differences, probably are being reduced in the current quarter.

Production and Employment

The Federal Reserve Board index of industrial production held at 124 (1947-49=100) during May through August, after seasonal adjustment, about 1 percent above the low for this year but 9 percent below these months last year. In August there was a small increase in the production index for both durables and nondurables, but minerals were off 2 percent. Production of automobiles declined 5 percent in August and was reduced sharply again in September as many assembly lines were shut down in preparation for new models and further efforts were made to reduce relatively large stocks of 1954 models. Output of household durables rose a little more in August; and machinery was up 3 percent, reflecting a gain of 4 percent in electrical machinery. Among the nondurables, increases were reported in August for chemicals, food, textiles and apparel. Petroleum refining, production of crude petroleum, and coal mining were lower during the month.

However, most of the factors currently holding down production should lead to increases later. With new automobile models being introduced earlier than usual, production in the latter part of the year may rise more than seasonally. This is expected to increase steel production. Settlement of strikes in rubber, copper, and lumber industries would likely bring about more than usual increases to make up for lost production.

Manufacturers' sales declined about the usual amount in July. But orders for new business fell some 375 million dollars more than seasonally. Manufacturers' order backlogs continued their downward trend, and at the end of July were about a third below a year earlier.

Employment Rises

Civilian employment in early August totaled 62.3 million, an increase of 130,000 from a month earlier. Nonagricultural employment rose more than seasonally during the month. Although unemployment declined 100,000 in August, this was somewhat less than usually occurs. Compared with a year

earlier, civilian employment was down 1.1 million, with fewer employed workers in both agriculture and nonagricultural industries. Unemployment was about 2 million higher than in August 1953. Apparently much of the increase in the labor force during the year went to swell the ranks of the unemployed.

Commodity Prices

The all commodity index of wholesale prices in mid-September was slightly below the level of mid-August, reflecting a decline of 3 percent in average prices for farm products and 1 percent for processed foods. The index of prices for processed foods and industrial products held fairly steady during the month. The consumer price index for urban families rose one-tenth of a point from June to July, largely because of an increase of 1 percent in food prices. Changes for the other components of the index were small. Retail prices of items bought for rural family living in August remained at the all-time high of July. Food prices were slightly lower and household furnishings and auto tires also declined. These reductions were offset by continued increases in prices of clothing and building materials.

AGRICULTURE: Current Developments

Total demand for farm products continues near the first half level. Personal incomes in the first 7 months of this year equalled the record level of last year, and incomes available after taxes were at a new high. Consumers continue to spend about one-fourth of their income for food. Exports of agricultural products in the fiscal year beginning July 1, 1953 were valued at 4 percent above the preceding year. Cotton exports were up 18 percent, and unmanufactured tobacco 5 percent. But exports of grain and products were off 17 percent, with wheat, grain and flour combined, down a third.

Table 1.- Indexes of wholesale prices, selected groups, September 14, with comparisons

Group	(1947-49=100)				
	:	:	:	:	September 7, 1954
	: Sept. 14,	: August	: September	:	percentage
	: 1954	: 1954	: 1953	:	change from
	:	:	:	:	Aug. 17, : September
	:	:	:	:	1954 : 1953
All commodities	: 110.0	: 110.5	: 111.0	:	-0.5 -0.9
Farm	: 93.1	: 95.7	: 98.1	:	-2.7 -5.1
Food, processed	: 106.1	: 106.3	: 106.6	:	- .2 - .5
Other than farm and food	: 114.5	: 114.4	: 114.7	:	.1 - .2

Prices of Farm Products

The index of prices received by farmers rose 4 points during the month ending August 15, led by cotton, milk, eggs, oranges, hogs, and cottonseed. The advance was partially offset by lower prices for commercial vegetables and tobacco. The parity index--prices paid, interest, taxes and wages--rose 2 points during the month, primarily because of higher prices for feed and feeder livestock. The parity ratio, although up 1 point to 89 in mid-August, was about 2 percent lower than a year ago.

Table 2.- Indexes of prices received and paid by farmers,
August 15 with comparisons

Group	(1910-14=100)					
	: Aug. 15, :		: July 15, :		: Aug. 15, :	
	: 1954 :		: 1954 :		: 1953 :	
	: :		: :		: :	
					August 15, 1954	percentage change from
					July 15, 1954	Aug. 15, 1953
All farm products	251	247	255	+2	-2	
All crops	250	248	232	+1	+8	
Food grains	228	225	215	+1	+6	
Feed grains and hay	207	202	205	+2	+1	
Cotton	268	272	278	+6	+4	
Tobacco	430	446	430	-4	0	
Oil-bearing crops	294	286	263	+3	+12	
Fruit	235	223	185	+3	+27	
Potatoes, sweetpotatoes and						
dry edible beans	214	228	178	-6	+20	
Commercial vegetables for						
fresh market	223	243	207	-8	+8	
Livestock and products	251	247	276	+2	-9	
Meat animals	287	286	305	1/	-6	
Dairy products	245	237	265	+3	-8	
Poultry and eggs	178	171	229	+4	-22	
Wool	304	309	298	-2	+2	
Prices paid, interest, taxes and						
wage rates	282	280	279	+1	+1	
Items used in living	277	277	273	0	+1	
Items used in production	250	247	249	+1	1/	
Parity ratio	89	88	91	+1	-2	

1/ Less than .05 percent increase.

Central market prices for major agricultural commodities averaged lower in early September than in mid-September. Prices of some small grains were substantially higher. Prices at Minneapolis for oats, barley, and rye were up from 8 to 17 percent. Prices for No. 2 Hard Winter wheat at Kansas City were up 1 percent. On the other hand, prices for soybeans on the Chicago market and Long Island Katahdin potatoes on the New York market were down around a fifth. Average weekly prices at Chicago were up 7 percent for slaughter steers, but were 12 percent lower for barrows and gilts. Del-Mar-Va broilers were down 15 percent.

The index of all-crop production improved by nearly 1 percent in August. Improved yield prospects since August 1 raised production estimates significantly for corn, soybeans, rice, all hay, sorghum grain, tobacco, sugar beets, and a few other crops. Prospects declined for cotton, spring wheat, flaxseed, and peanuts. The drought which developed in July continued during August over much of the southern part of the country east of the Rocky Mountains. Shortages in feed crops, pastures and stock water continues to be the most serious aspects in the area. Irreparable damage to much of the corn, soybeans, and late hay crops has occurred in the drought areas and yields of sorghum grains, cotton, peanuts, and sweetpotatoes also are being affected by the adverse soil moisture conditions. Little or no relief from the drought had come in early September.

Use of Diverted Acres In 1955

The Department of Agriculture recently announced the elimination of the "total acreage allotment" provision from the program to influence the use of acres diverted from allotment crops in 1955. This will permit increased flexibility in planting schedules for those farms where "total acreage allotments" would otherwise apply, with their limits on total production. Farmers who comply with their individual crop allotments (there are allotments now on wheat, corn, cotton, peanuts and major types of tobacco) will in general be free to plant the rest of their land as they wish without loss of price support eligibility. However, the harvested acreage of commercial vegetables, potatoes, sweetpotatoes and dry edible beans must not exceed that planted for harvest on the farm in 1952 and 1953. Previously, diverted acres could be used only for hay, cover crops, green manure crops, and pasture.

This change was made to offset the effects of the drought and insure maximum benefit from Government programs. The greater acreage permitted for crops not under restrictions should help farmers to maintain incomes in 1955.

FARM INCOME

Farmers' receipts from marketings in the first 8 months of 1954 are estimated at 17.4 billion dollars, down 4 percent from the corresponding period last year, with both prices and marketings averaging slightly lower. Receipts from livestock and products were about 11.0 billion dollars, 2 percent less than a year ago as the result of lower prices for milk, eggs, and

chickens. Crop receipts were 6.4 billion dollars, 7 percent below last year. Marketings of wheat, cotton, tobacco, and vegetables were all smaller than in 1953.

August receipts totaled about 2.5 billion dollars, 7 percent more than in July, but 4 percent less than in August of 1953. Receipts from livestock and products in August were 1.4 billion dollars, 10 percent above July, mostly because of larger marketings of cattle and hogs. They were slightly below August 1953, largely the result of lower prices of chickens, eggs, butterfat, and milk. Crop receipts were about 1.1 billion dollars, slightly above July with seasonally larger marketings of cotton and tobacco. However, smaller sales of wheat and cotton and lower prices for tobacco resulted in a decline of 6 percent from a year ago.

Based on recent revisions, total cash receipts for July were 2.3 billion dollars, 7 percent above June and 6 percent below July 1953. Receipts from livestock and products were 1.3 billion dollars, 7 percent less than in June and 10 percent below July of last year. Crop receipts in July totaled 1.0 billion dollars, up 30 percent from June and about the same as a year ago.

LIVESTOCK AND MEAT

The year's highest rate of livestock slaughter is due in October and early November. Prices of hogs will feel the impact most. Hog prices, now much below their highs of last spring, will probably continue seasonally downward until about late October. Declines thereafter will likely be small. Prices of hogs will be below last year and the hog-corn price ratio, also less than last year, will be down close to its long time average level. Prices of grass cattle also are expected to decline seasonally, but probably will continue as high as or higher than last year because of generally strong demand for feeder cattle. Prices of fed cattle may remain comparatively stable.

The October peak in slaughter will include more hogs than last year, reflecting the 13 percent greater number of spring pigs saved and the earlier dates of farrowing and marketing. The number of cattle slaughtered in October, though up seasonally from September, will at most be only a little larger than last October. The increase over last year in cattle slaughter has been smaller recently than it was last winter and spring. However, the year's total slaughter will probably result in a small reduction in the number of cattle on farms.

DAIRY PRODUCTS

Milk production dropped below a year earlier in August for the first time in 2 years. Hot, dry weather, poorer pastures in many sections, and lower prices helped account for the reduction. The number of milk cows on farms still is above a year earlier, but slaughter of cutters and canners (dairy and beef animals) continues heavy. For the first 8 months of 1954, farm output of milk totaled 88.2 billion pounds compared with 85.8 billion a year ago. Output in 1953 as a whole was a record 121.2 billion pounds.

With the decline in annual rate of output and a slight increase in consumption of fluid milk, production of butter and cheese since mid-July was below a year earlier. CCC purchases of these items during this period have been just a little over half those of a year earlier. Purchases of nonfat dry milk, however, were nearly as large as last year.

Dairy markets have improved slightly, however, increases in prices so far have been slight because production continues to exceed use and Government stocks are large. Wholesale and retail prices are somewhat below a year earlier.

The increase in the purchase prices for cheese and nonfat dry milk under the support program has helped raise the manufacturing milk price up to the announced support level of \$3.15 per 100 pounds of milk with 3.95 percent fat. The milk-feed price relationship is the least favorable since 1947 and butterfat-feed is the lowest since drought years of the 1930's. Milk prices also continue lower than average relative to beef cattle and hogs.

POULTRY AND EGGS

Large production of eggs for this time of year and seasonally increasing supplies of poultry meat are holding down prices for these commodities. Since late February, prices for many grades of eggs have been 12 to 25 cents per dozen below last year, while broiler prices have held below year-ago levels since the turn of the year. Turkey prices weakened about mid-summer. Prices for consumer sizes may strengthen seasonally with the approach of the holidays.

Egg production on September 1 was a record for the date, and 2 percent above August 1. In recent years, September 1 has been the annual low-point for first-of-month production. For the next month or so medium and smaller sized eggs will continue to make up a large proportion of the total quantity of eggs produced. However, the early hatch last spring suggests that average egg size should increase earlier this winter than usual.

Prices of medium eggs have declined in the last two months because of the increasing proportion of eggs laid by pullets in recent production. Prices of large eggs have shown little net change. In mid-August, the U. S. average price received by farmers for all eggs was 37.4 cents, up 3 cents from a month earlier.

Farmers' intentions call for early marketings from the record 1954 turkey production. The crop of 43 million heavy-breed turkeys is up 6 percent and the light breed crop is up 16 percent from 1953. The total increase is 9 percent in terms of numbers of birds. In terms of pounds, however, the increase will not be as large, since the percentage increase in numbers was bigger among the smaller birds. Mid-August turkey prices received by farmers averaged 27.7 cents per pound (live), 5 cents below last year.

FATS, OILS AND OILSEEDS

Commercial supplies of edible vegetable oils in recent months were "tight" and domestic users purchased 45 million pounds of cottonseed oil from the Government during July 1, 1954 through September 15. Prices for the major edible vegetable oils remained near CCC's domestic selling price for its oil until the early part of September. Prices have since declined sharply in expectation of large supplies of new crop oil soon to become available. Linseed oil prices have declined in recent weeks as increasing quantities of new crop oil became available.

Lard prices have receded from the high levels reached in the latter part of August. Stocks of lard on October 1 are expected to be no larger than last year's low level. Prices of inedible tallow and greases have remained relatively firm because stocks are comparatively low, due primarily to large exports.

Supplies of food fats in the marketing year beginning October 1, 1954 are likely to be at least as large as this year's record level. Beginning stocks (mostly owned by CCC in the form of cottonseed oil and butter) will be about the same as a year earlier and production may be somewhat greater. Production of soybean oil and lard will increase but output of cottonseed and peanut oils will decline. Little change in butter production is expected.

The 1954 soybean crop is estimated to be a record 325 million bushels, while production of cottonseed, at 4,857 thousand tons, is the lowest since 1950.

Production of 1954 crop peanuts, 1,168 million pounds, is down 26 percent from last year. This may be less than food and farm uses and stocks will be reduced. The only peanuts likely to be crushed will be those which do not meet the standards for other uses.

Based on reports as of September 1, the 1954 flaxseed crop of 42.2 million bushels is the largest since 1949 and well above estimated commercial use.

CORN AND OTHER FEED

Cash corn prices continued to advance during August and early September, and prices of other feed grains strengthened from low points reached in July. Corn prices have been unusually high this summer relative to oats and barley, reflecting short supplies of "free" corn and big crops of the other feed grains. Corn prices are expected to decline seasonally during the next 2 months, but the drop will be tempered by the smaller 1954 crop.

Prices at harvest time, however, may be comparatively low in areas of the Corn Belt, where production is large and many producers will not be eligible for price support because they did not plant within their 1954 acreage allotment. Soybean meal prices, which were unusually high relative to other high-protein feeds, this summer declined sharply in September with the beginning of harvest of the record 1954 soybean crop.

Production of feed grains in 1954 was estimated at 120 million tons on September 1, 3 million more than in 1953. The September estimate was 4 million more than on August 1, principally as a result of improvement in the corn crop. The total supply of feed concentrates for 1954-55 is now estimated at 179 million tons, 5 percent larger than last year and 9 percent above the 1947-51 average. After allowing for the prospective increase in grain-consuming animal units, the supply per animal unit is only slightly larger than last year or the 1947-51 average. The corn crop was estimated in September at 2,973 million bushels, 204 million smaller than the 1953 crop. A crop of this size, together with the expected carryover of about 900 million bushels on October 1 this year, would give a total supply of about 3,873 million bushels, only 2 percent less than in 1953-54. The 1954 crop, however, probably will be somewhat below total 1954-55 requirements, resulting in a smaller carryover at the close of the 1954-55 season than the record stocks expected on October 1 this year.

WHEAT

Cash wheat prices have advanced gradually and currently are near the highest levels of the season to date. The price of No. 2 Hard Winter Wheat, ordinary protein, at Kansas City on September 20 averaged \$2.28, 26 cents above the season low on June 21. The price of No. 2 Soft Winter on the same date at St. Louis was \$2.21, 32 cents above the low on June 17; and the price for No. 1 Dark Northern Spring, ordinary protein, at Minneapolis was \$2.54, 32 cents above the low on June 16. For the grades mentioned these prices are below the announced loan rates of \$2.53 at Kansas City, \$2.53 at St. Louis, and \$2.57 at Minneapolis. Prices at Minneapolis, however, even for ordinary protein, are equal to the effective loan (with deduction for storage) and protein premium wheats are substantially higher. The strength in the market reflects the fact that the available supplies of "free" wheat are small for this early in the marketing year. However, deterioration of wheat in the spring wheat area in the United States and Canada from black stem rust and leaf rust, and unfavorable weather in Europe, are strong influences on markets.

Total wheat supplies for the 1954-55 marketing year, which began July 1, 1954, are now estimated at about 1,868 million bushels. This consists of the July 1 carryover of 903 million bushels, an estimated crop of 962 million, and imports of at least 3 million bushels, mostly of feed wheat. The wheat crop in Canada is late, and if a large part of it is damaged by frost, imports of wheat into the U. S. could be increased. This would be the largest supply on record, about 8 percent above the previous record of 1,736 million bushels in 1953-54.

In order to help offset the effects of drought and to insure maximum benefits from government programs, the Department of Agriculture recently announced the elimination of the "total acreage allotment" provision from the program to influence the use of acres diverted from allotment crops in 1955. Cross compliance will still be a condition for price support eligibility, but smaller wheat plantings--not more than 15 acres--are excepted from the cross compliance provisions. If producers fail to comply with allotments which are under this "15 acre" figure, they will not be eligible for wheat price support, but they will not lose their eligibility for supports on other crops for which they have observed allotments. However, compliance with all crop allotments (including smaller wheat allotments) is a condition for eligibility for Agricultural Conservation Program assistance.

The national average support level for the 1955 wheat crop will be not less than \$2.06 per bushel. This is 82½ percent of the current parity price for wheat. The national average support level for 1954-crop wheat is \$2.24 per bushel. Support rates for wheat produced in the commercial area will reflect the full national support level. In the newly designated 12-State non-commercial wheat area, wheat will be supported on the basis of 75 percent of the full support level. These States include Arizona, Alabama, Connecticut, Florida, Louisiana, Massachusetts, Mississippi, Maine, New Hampshire, Nevada, Rhode Island, and Vermont. Farm wheat allotments and marketing quotas will not apply in these States.

The initial "set-aside" of wheat has been established at 400 million bushels. This quantity may be increased at a later date depending upon more complete information as to supply and demand. The amount of wheat set aside will be excluded from the computation of "carryover" for determining price-support but will be included in the computation of total supplies for purposes of acreage allotments and marketing quotas. In general, the use of this set-aside wheat will be for disaster or other relief purposes, both inside and outside of the United States, for sale or barter to develop new or expand markets, for research, experimental or educational purposes, and for sale for unrestricted use to meet a need for increased supplies at not less than 105 percent of the wheat parity price.

FRUIT

Demand for fruit is expected to continue good this fall, and prices for deciduous fruits probably will average about the same as last fall. Among individual fruits, prices for fresh prunes and fall and winter pears are expected to continue higher than a year earlier because of smaller supplies. Prices for some varieties of fresh grapes probably will average lower as a result of larger supplies and heavier marketings. Strong demand for apples for canning is expected to help sustain prices this fall for the larger supply of apples available for this purpose.

Because of smaller supplies of grapefruit and California Valencia oranges, prices for these fruits are expected to continue higher during late September and October than a year earlier. But continued lower prices seem probable for California lemons and Florida limes as a result of larger

supplies. Fresh citrus has faced the competition of larger supplies of canned and frozen citrus juices this summer than last. On September 1, prospects were generally favorable for the 1954-55 citrus crop. In Florida, small quantities of new-crop grapefruit and oranges have been marketed in September. Supplies should increase rapidly in October.

Fruit crops in New England were severely damaged by the hurricane that struck that area on August 31, 1954. Damage was greatest to apples, especially McIntosh, and peaches. However, about two-thirds of the apples blown off were salvaged. Damage to cranberries was slight. Rains in California in late August damaged the prune crop, and dry weather in the South severely cut prospects for pecans. On the other hand, favorable weather elsewhere, especially in the Appalachian area, tended to increase fruit production, particularly apples. With these changes in August, prospects on September 1 were for a total tonnage of deciduous fruits about the same as in 1953. But total production of tree nuts is expected to be 9 percent smaller.

COMMERCIAL VEGETABLES

For Fresh Market

Supplies of fresh vegetables for marketing during early fall are expected to be 9 percent smaller than a year previously and 5 percent below the 1949-52 average. Much of the reduction is the result of a smaller tonnage of cabbage. But the early fall crops of snap beans, carrots, celery, cucumbers, lettuce, and tomatoes also are expected to be lighter. For late fall, a larger crop of carrots is indicated than in 1953. A smaller acreage of late fall celery and a larger acreage of late fall tomatoes were planted this year than in 1953. Supplies of onions in prospect for this fall are lighter than a year ago. With demand expected to hold up well and supplies moderately smaller, grower prices are expected to be higher than those received for the heavy crop last fall.

For Commercial Processing

The prospective 1954 tonnage of 9 important vegetables for commercial processing (snapbeans, sweet corn, tomatoes, kraut cabbage from contract acreage, lima beans, beets, pimientos, peas, and spinach) was estimated as of September 1 to be about 13 percent smaller than that of 1953 and 1 percent under average. These 9 crops usually comprise about 90 percent of the total tonnage canned and frozen. Production of snap beans is expected to be about 12 percent larger than in 1953. Sharp reductions from 1953 are expected in tonnages of tomatoes, kraut cabbage (contract), beets, and pimientos. Although the prospective tonnage of these 9 vegetables for commercial processing is smaller than that of 1953, carryover stocks of the 5 major canned vegetable items held by packers on July 1 (snap beans, peas, corn, whole tomatoes, and tomato juice) were about 50 percent larger. On September 1, 1954 cold-storage holdings of frozen vegetables were 5 percent larger than a year earlier and record high for that date.

POTATOES AND SWEETPOTATOES

The prospective crop of potatoes from the 29 late States, which provides most of the market supplies during fall and winter, is about 5 percent smaller than the 1953 crop, according to September 1 conditions. During August, unfavorable growing conditions in some States, especially Maine--where additional damage may have occurred in early September as a result of unfavorable weather, reduced production. But this was more than offset by increases in other States. The crop is well distributed geographically.

Marketing of probably over half of the late crop, including Maine production, will be governed by marketing agreements and orders. This is expected to result in a more orderly market movement than for the 1953 crop. Prices at shipping points in early September averaged considerably above the low prices of a year earlier. Although prices may decline with increased marketings this fall, they are expected to continue above comparable prices in 1953.

The 1954 crop of sweetpotatoes was estimated as of September 1 to be about 14 percent under the relatively small 1953 crop. However, in Louisiana, the leading State, the crop is 3 percent larger. Supplies for fresh market sale may not be down as much as the production comparison with last year would indicate, if the movement to processors continues below the 1953 rate.

In early September, prices for the Porto Rican variety of sweetpotatoes at shipping points in Louisiana averaged a little above prices a year earlier. Prices for all marketings this fall probably will average somewhat above corresponding prices in 1953 because total production is smaller.

DRY EDIBLE BEANS AND PEAS

The 1954 crop of dry edible beans is indicated to be moderately larger than the 1953 crop, with increases likely in most principal varieties except pintos, California blackeye, and possibly red kidney beans. The sharpest increase is expected in small red beans. Price supports for the 1954 crop are about 7 percent lower than those for the 1953 crop. Grower prices in August averaged about 18 percent under a year earlier, and prices are likely to continue under prices of 1953-54.

Production of dry field peas is considerably larger than in 1953. Prices received by growers in August 1954 averaged about one-fifth under prices a year earlier. With supplies larger than foreseeable requirements, prices probably will continue at a lower level than in 1953-54.

COTTON

The price of cotton at the spot markets declined slightly from the first to the last week of August. The average price for Middling, 15/16 inch cotton at the 14 spot markets hit a high of 34.30 cents per pound on August 6, and a low of 33.89 cents on August 23. On September 13 this price was 34.14 cents. The average 10 spot market price for August of 34.19 cents per pound compares with 32.98 cents in August 1953.

The 1954 cotton crop was estimated at 11.7 million running bales as of September 1. This compares with a 1953 crop of 16.3 million running bales. The supply for the 1954-55 marketing year is estimated at 21.5 million bales, compared with 22.1 million in 1953-54. Disappearance during the current season has been estimated at about 13.7 million bales. Deducting disappearance from supply leaves a carryover on August 1, 1955 of approximately 7.8 million bales. This compares with 9.6 million on August 1, 1954.

The Agricultural Act of 1954 specifies a "set-aside" of 3 to 4 million bales for cotton. On September 15 the Department announced that 1 million bales had been placed in the "set aside" and that at a later date "the cotton set-aside will be increased to at least 3 million bales." The "set-aside" of at least 3 million bales will be included in the supply when computing marketing quotas and excluded when computing the level of price supports. This provision probably means a minimum marketing quota of 10 million bales and price supports at 90 percent of the parity price for the 1955 crop.

Ginnings of 1.7 million bales from the 1954 crop prior to September 1 were the largest for this period since 1951, and represented about 14 percent of the 1954 crop. This was the largest proportion of any crop ginned prior to September 1 since 1943.

WOOL

Wool prices in Australia at the end of the first week of the 1954-55 auctions (week ending September 4) ranged between 10 and 15 percent below prices prevailing at the close of auctions last June and between 15 and 20 percent below a year earlier. Prices changed but little during the following 2 weeks.

Boston quotations for most foreign and domestic wools at mid-September were the same as a month earlier. Prices received by domestic growers for shorn wool declined from an average of 55.2 cents per pound at mid-June to 54.2 cents at mid-August.

United States mills used almost one-third less apparel wool during the first 7 months of this year than a year earlier. The rate increased gradually as it did early last year. Mill use of carpet wool was almost one-fourth below a year earlier.

Imports of dutiable wool during the first half of this year were only a little more than half of those of the same months last year. The rate of import changed but little from month to month, while last year it declined sharply during the early part of the year. About three-fourths as much duty-free wool was imported as early last year.

TOBACCO

Flue-cured auctions are ended in Georgia-Florida but are in full swing in all other belts. The price average in the Georgia-Florida belt was 46.4 cents per pound--9 percent less than the record of last season. The sizable volume of lower grade tobacco sold in the final 3 or 4 weeks pulled down the over-all average for the season. Through September 17, prices in the other belts averaged around 53 cents per pound. They were lower than record highs of a year earlier in South Carolina-border North Carolina and the Eastern North Carolina belts, but higher than a year ago in the Middle and Old belts of North Carolina and Virginia, where drought was a serious factor last year.

The September estimate of the flue-cured crop was 1,363 million pounds--7 percent greater than last year and the third largest on record. The carryover plus this year's crop adds to a total supply for 1954-55 of 3,278 million pounds--5 percent above 1953-54.

The September forecast of Burley was for a 564 million pound crop--about 1 percent below 1953. The Burley carryover on October 1 may be up a little from a year ago, and the 1954-55 total supply probably will be 1 to 2 percent above the 1953-54 level.

Hurricane and hail damage in the Connecticut Valley reduced the expected outturn of cigar binder in that area, but the Wisconsin crops are well above a year ago. Production of all binder types may total 2 or 3 percent above last year. However, the carryover of these types is lower than a year ago, and the 1954-55 total supply probably will be around 3 percent less than in 1953-54.

During the first half of 1954, output of cigarettes and cigars was $4\frac{1}{2}$ and 3 percent lower, than in the first half of 1953.

Exports of unmanufactured tobacco in fiscal year 1953-54 were 2 percent above 1952-53 with more going to the United Kingdom, Netherlands, Australia, Ireland, and Indonesia but less to Germany and the Philippine Republic. These 7 countries took two-thirds of United States tobacco exports in 1953-54.

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